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UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990: UNCTAD'S INTERGOVERNMENTAL INPUT INTO THE GENERAL ASSEMBLY'S FINAL REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION IN 1991

Report by the Secretary-General of UNCTAD

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I. INTRODUCTION

1. This paper is a summary of the secretariat report (TD/B/1280/Add.1) which has been prepared in response to General Assembly resolution 43/27 of 18 November 1988 and resolution 45/178A of 19 December 1990. */ These resolutions dealt with the General Assembly's decision to conduct a final review and appraisal of the implementation of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990. The Trade and Development Board decided at its thirty-sixth session to make an intergovernmental input into the General Assembly's final review and appraisal of UN-PAAERD. The Board, at the first part of its thirty-seventh session, began this process by considering and noting document TD/B/1265 in which the secretariat gave an indication of the scope of the issue areas to be covered in UNCTAD's intergovernmental input to the General Assembly's final review and appraisal of the UN-PAAERD.

2. The purpose of this summary is to assist the Board in formulating UNCTAD's intergovernmental input into the General's Assembly's final review and appraisal of UN-PAAERD. The summary presents the salient points of the full document TD/B/1280/Add.1 prepared by the secretariat for this agenda item. It is hoped that that document will assist delegations to gain a fuller appreciation of the issues involved.

3. The point of departure for the final review and appraisal of the Programme is the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 annexed to the General Assembly resolution S-13/2. The main elements of the General Assembly's mid-term review of the implementation of the UN-PAAERD have also been taken into account.

4. Accordingly, the secretariat's preparation of the document to facilitate the Board's deliberations in formulating an intergovernmental input into the General Assembly's final review and appraisal of the UN-PAAERD uses as its point of departure the well accepted fact that the UN-PAAERD consisted of a framework of mutually reinforcing actions by African countries and by the international community. On the one hand, African Governments had undertaken to implement economic reforms and to improve their economic policies in the context of Africa's Priority Programme for Economic Recovery (APPER) 1986-1990. On the other hand, the international community committed itself to supporting efforts of African countries in implementing the UN-PAAERD in a number of specific areas.

5. The full report prepared by the secretariat (TD/B/1280/Add.1), therefore, describes actions taken by the parties towards implementation of the UN-PAAERD. This document is a summary of that full report. It also attempts some assessment of the extent to which commitments entered into have

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*/ This is due to the fact that there was a fuller than usual description of actions taken by both the African countries and the international community - this being part of an exercise to review and appraise the Programme of Action at the end of its five-year period. Earlier on, the Board had requested a paper on resource flows to Africa. In part, the detailed section on resource flows is meant to meet that request.

been honoured, the impact of the various actions taken and measures needed beyond the Programme period for the full realization of the aims and objectives of the UN-PAAERD 1986-1990.

II. REVIEW OF IMPLEMENTATION BY AFRICAN COUNTRIES

A. Actions by African countries

6. The African countries have continued with efforts to implement economic reforms. The majority of African countries have continued with policy reforms and structural adjustment measures designed to improve economic performance, to bring about accelerated recovery and to lay the foundations for sustainable development. As recognized in the mid-term review, this determination involves social costs and political risks. There are, however, some Governments which have not yet adopted reforms. Furthermore, among those countries where reforms have been adopted, they have not been pursued with equal vigour in all cases.

7. Although the underlying objective of adjustment must be to restore the conditions for growth and, in the African context, to lay the basis for longer-term social economic development and transformation, the initial reform efforts were primarily focused on macro-economic stabilization measures. Achievement of fiscal, monetary, and exchange-rate equilibrium, and other measures to establish a balance and consistency between aggregate demand and supply were an essential first step towards growth and efficiency. Thus, the first generation adjustment programmes have concentrated on macro-economic, fiscal and exchange-rate policies, public enterprise sector, financial sector policies, public institutions and distribution, trade and agricultural policies.

8. On the whole, existing evidence shows that many African countries have implemented comprehensive adjustment programmes during the period of the Programme of Action by combining far-reaching macro-economic stabilization programmes with actions in other areas. Such performance should also be judged against the complexity of the programmes, weak institutional and human resources infrastructure for their implementation, internal political problems including civil strife (in some countries) as well as the continued weakness in commodity prices and especially the recent collapse of coffee and cocoa prices. The less favourable external economic environment, particularly the low commodity prices and mounting debt-service problems, have all complicated the task of macro-economic adjustment in many African countries. The more recent uncertainties relating to rise in oil prices as a result of the crisis in the Persian Gulf will greatly impair the ability of most oil-importing African countries to sustain the reform efforts.

9. Moreover, some of the stabilization and adjustment measures have brought new problems in their own train. These include the adverse impact of fiscal measures on health, education, and infrastructural programmes. The multilateral financial institutions that play a leading role in assisting African countries with structural adjustment programmes now recognize the need to combine fiscal and monetary measures with steps to minimize the adverse social impact of adjustment and particularly to reorient public spending in favour of basic education, health and nutrition.

10. In spite of the efforts of the African countries, these economies continue to exhibit unfavourable characteristics. These include (a) predominance of subsistence and commercial activities; (b) narrow disarticulate production base with ill-adapted technology; (c) neglect of the informal sector; (d) degraded environment; (e) lopsided development arising from the urban bias of public policies and development policies in particular; (f) fragmentation of the African economy; (g) openness and excessive dependence of these economies, including dependence on external factor inputs; (h) weak institutional capabilities.

B. Performance of African countries

1. General performance

11. Growth rates of GDP improved considerably during the programme period. The regional GDP at factor cost rose from 0.4 per cent in 1987 to 2.4 per cent in 1988 and 2.9 per cent in 1989. Although these growth rates were not sufficiently high compared with population growth rates to secure improvements in per capita incomes, they nevertheless represent a much improved performance over the earlier part of the 1980s.

12. North Africa's GDP at factor cost rose from -0.4 per cent in 1987 to 2.8 per cent in 1989 compared with 1.8 per cent in 1988. The major contributing factors in the subregion's good performance were recoveries in agricultural and manufacturing output. West Africa enjoyed overall growth rates of 3 and 3.1 per cent in 1988 and 1989, respectively. However, growth performance varied greatly among countries. The East and Southern as well as the West African subregions exceeded the regional average while growth was relatively weak in North and Central Africa. Output growth in Central Africa continued to be mixed (-1.5 per cent in 1987, 1.4 per cent in 1988 and 1.6 per cent in 1989), but weak in overall terms. Output growth in East and Southern Africa averaged 3.5 per cent in 1987-1989, with 1987 and 1989 somewhat above average. Strong growth in the agricultural and manufacturing sectors contributed to this relatively good performance.

13. The frequency distribution of African countries according to GDP growth rates shows that countries enjoying non-negative growth rates have increased during the programme period. In 1987, 15 out of 50 African countries registered negative growth rates, in 1989 only four did. Between 1987 and 1989 the number of countries recording improved growth performance (above zero to 4 per cent) increased from 21 to 33. Measures taken by some of the countries in the region to adjust their exchange rates, improve the investment climate and provide incentives for production may have contributed to a marginal improvement in output in 1989.

14. Two countries - Botswana and Mauritius - deserve special mention for their exceptionally high growth rates during the programme period. With an annual growth rate of 13 per cent since independence in 1966, Botswana enjoys one of the fastest growth rates in the world. Spurred by an average growth rate of 30 per cent per annum in the mining sector, between 1982 and 1987, overall GDP grew at an average rate of 11.5 per cent in constant 1987 prices between 1980 and 1988. Growth rates in 1988 and 1989 have since slowed down to 8.1 per cent and 4.3 per cent, respectively. Prudent management of aggregate demand and sound fiscal policies have contributed to Botswana's continued good performance. Mauritius' growth is not as spectacular as

Botswana's but remarkable by regional standards. Traditionally a sugar-exporting country, Mauritius took bold steps to diversify its economy from sugar into manufactures and tourism. The principal instrument used was export processing zones (EPZ) industries in the manufacturing sector. The manufacturing sector industries have grown at an average rate of 28 per cent per annum in the past five years. The sector now accounts for 16 per cent of GDP compared to 13 per cent for sugar and for 60 per cent of export earnings compared to 33 per cent for sugar.

15. While the experiences of these two countries cannot be replicated in their entirety by all African countries, some African countries can draw some useful lessons from the experiences of these two countries.

2. Sectoral performance

16. Agricultural production (including fishing, livestock, and forestry) has increased steadily during the Programme period. Value added in agriculture rose 1.5 per cent in 1987 to 3.1 per cent in 1989. East and Southern as well as North Africa had above average results in 1989. Non-Sahelian West Africa also showed good results. The cereals subsector did particularly well in 1989, compared with output levels in 1987. A number of countries were able to build up surplus stocks. The increase was mainly due to good weather conditions and farmers' response to improved incentives. In some countries, however, cereal production declined in 1989 owing to drought, locust infestation, and civil strife.

17. Manufacturing output growth accelerated moderately from 2.6 per cent in 1987 to 4.3 per cent in 1988 and to almost 5 per cent in 1989. Growth performance varied greatly among the subregions. The East, Southern, West and North African subregions registered growth rates averaging 5 per cent in 1989 compared with 3.8 per cent in 1987. These were also the areas with a relatively more diversified industrial base. In Zimbabwe, for example, domestic demand accounted for some 65 per cent of total growth in manufacturing value added. In Kenya the percentage was 70. The Central African subregion with the least developed industrial base recorded growth rates of 2.2 per cent and -7.4 per cent in comparable years.

18. The manufacturing sector continues to be plagued by difficulties. These include, in some countries, constrained capacity utilization due to low domestic demand, dumping of low-quality goods from abroad, difficulties of market access. Moreover, despite the bold measures introduced by many African countries to rationalize and improve the investment climate, foreign private investment has not responded in any significant measures. As a result even the relatively more diversified countries (Kenya and Zimbabwe, for example) lack the technological innovations that could make their industries more competitive.

19. Mining production has remained generally low - although sections of the mining industry are beginning to respond to the improvement in the mineral prices in the late 1980s. The slow growth in production, excepting a few countries (Ghana, gold; and, Botswana, diamonds for example), has been due to low prospecting and mine development expenditures in the past two decades as well as to structural rigidities and supply difficulties. State participation in mines in the mid-1960s and 1970s discouraged further prospecting and

development by foreign investors. Most mines and equipment were run down during the period of depressed prices and have not as yet been fully rehabilitated to take advantage of the improved prices.

20. A pervasive lack of repair and maintenance of roads, almost total neglect of rural roads which must link the agricultural centres to their markets and sources of inputs are common features of African countries. The brunt of fiscal restraint, which is a major plank of structural adjustment programmes being pursued by many African countries, has fallen mainly on the health, education, and transport and communications sectors. There has been actual regression in these sectors in many countries. Standards of education, health and nutrition have fallen, and diseases like malaria are re-emerging in more virulent strains. Lately, both the multilateral financial institutions and the African Governments have realized that urgent attention needs to be paid to these sectors.

III. REVIEW OF THE IMPLEMENTATION OF THE UN-PAAERD BY THE INTERNATIONAL COMMUNITY AND DEVELOPMENTS IN THE EXTERNAL ENVIRONMENT

21. While African Governments affirmed their primary responsibility for the region's future development, the international community, for its part, recognized that external factors such as sluggish world growth and weak demand for Africa's exports, low commodity prices, deteriorating terms of trade, reduced capital flows, and high levels of debt and debt service which aggravated the African situation, needed to be addressed. The idea was to ensure an external economic environment which would be supportive of efforts by African Governments and provide the necessary additional resources.

A. Changes in world trade and export performance of African countries

22. Changes in the international economic environment are generally transmitted to developing countries through trade. For many African countries with high dependence on exports of one or two commodities, the effects of these changes on prices of their exports can be far-reaching. In the period following the establishment of the UN-PAAERD (1986-1990), the growth of world trade averaged a high 7.5 per cent per annum. In the EEC, which is the main market for Africa's products, import volumes grew at 7.8 per cent per annum in 1985-1989 compared with 2.5 per cent in the preceding five years. Growth rates in Japan were even higher: 10 per cent compared with 1.9 per cent for the respective periods. Yet Africa's export performance has remained weak and uninspiring throughout the period compared to other developing regions. In the periods 1980-1985 and 1985-1989 exports from all developing countries grew at -1.2 per cent and 9.5 per cent respectively. For Africa as a whole comparable figures are -4.1 per cent and 2.5 per cent respectively. North African countries performed somewhat better than the sub-Saharan African countries. The comparable figures are -4.9 per cent and 5 per cent respectively. For sub-Saharan Africa the figures are -3.7 per cent and 0.8 per cent respectively.

B. Commodity prices and market conditions

23. The apparent paradox of Africa's falling export revenues at a time when the volume of world trade is expanding can be explained by a number of factors. Principal among these are the continued weak prices of some

commodities, exemplified recently by the total collapse of coffee and cocoa prices, the continued supply overhang in some commodity markets and the significant loss of market shares by Africa in its traditional exports.

C. Non-oil commodities

24. Although non-oil commodity prices improved somewhat during the Programme period, this improvement is characterized by two features. Firstly, it was much below the levels attained in the 1970s. Secondly, it was limited only to certain commodity groups. The most significant turnaround occurred in prices of mineral ores and metals, where the average annual increase in prices in 1986-1989 was 16 per cent compared with a decline of 3.4 per cent per annum in the preceding five years. Both the food (mainly sugar) and vegetable oils subgroups recovered substantially, as did the agricultural raw materials. The most severe declines occurred in coffee and cocoa prices, which collapsed under pressure of abundant supplies and failure of the relevant commodity agreements.

25. The sharp drop in prices and earnings arose from three main causes: global oversupply, failure of the price support mechanisms (where they existed, e.g. the International Cocoa Agreement) to cope with the situation, and Africa's declining share of the world market of these commodities.

26. On the whole, prices and market conditions for Africa's leading commodities were mixed during the period under review. Beverages, except tea, experienced disastrous market conditions resulting in substantial loss of earnings, while the food items (sugar) and the agricultural raw materials (cotton, tropical hardwoods) did better. The mineral ores and metals enjoyed improved prices, although African producers were unable to take advantage of this situation.

D. International co-operation on commodity issues

27. Previous secretariat reports to the Board (notably TD/B/1182) have described progress (or lack of it) on international co-operation in the area of commodities. It can be said that international co-operation on commodity issues is now at its lowest point since the 1960s. However, the coming into operation of the Common Fund for Commodities, where efforts are being made to initiate some concrete action in the context of the Second Account, is an encouraging development.

28. At the request of the Organization of African Unity, the General Assembly of the United Nations agreed that the Secretary-General of the United Nations establish a high level group of experts to examine Africa's commodity problems and to make recommendations. The Group, under the Chairmanship of the Rt. Hon. Malcolm Fraser, former Prime Minister of Australia, presented its report to the Secretary-General of the United Nations in June 1990. The report contained a number of wide-ranging recommendations not only on commodities but also on issues relevant to the commodities sector. The General Assembly, having taken note of the report, requested a number of actions, including: a request to the United Nations Secretary-General, in consultation with the OAU, interested Governments, multilateral financial institutions and regional development funds, to include in his report to the forty-sixth session of the General Assembly proposals on how to support Africa's efforts at diversification, including the means of mobilizing

sufficient resources on favourable terms from the international community, and measures to enhance domestic and foreign investment and (private) enterprise.

E. Diversification

29. In terms of reducing dependence on commodities for export earnings, the 1980s can, in some respects, be considered a decade of stagnation or even reverses for most African countries. All African countries, except Mauritius and Tunisia, continued to depend on commodities for over half of their export income. In all, four fifths of African countries derive over 80 per cent of their export income from commodities. One or two commodities still provide over half of export income in nearly three quarters of African countries. During the 1980s, 25 out of 38 African countries for which data are available have increased their dependence on one or two main commodities, or have seen little change in their generally high dependence on commodities.

30. Support given to African countries to diversify within and outside the commodity sector has been limited. Neither the World Bank nor the International Finance Corporation had a single African country among its top five recipients of commodity export-oriented diversification lending in the 1980s. Instead, a large part of diversification lending went to large, relatively advanced developing countries in other regions, which were thus helped to expand their export of commodities (especially cocoa, coffee, rubber and palm oil), often in direct competition with African exporters.

31. For minerals, progress has been very small in most countries. Mining companies have held back on investment in Africa because of natural, infrastructural and political disadvantages compared to sites in Asia and Latin America, while small-scale and medium-scale artisanal mining enterprises generally continued to be hampered by unfavourable government policies (although recently some improvement is visible, e.g. Zambia's liberalization of gem stone marketing, and Ghana's small-scale gold mining sector). Some headway has been made in the fisheries sector, but often a large part of the resulting foreign exchange earnings (e.g. some 80 per cent in the case of Mauritania) is lost in payment for foreign factor costs, due to very limited backward and forward linkages with the rest of the economy.

32. In several countries, the capacity to market produce has been affected by inability to utilize the information and to mobilize the investment funds needed to make use of opportunities to develop non-traditional exports, despite the efforts undertaken by the international community to improve information flows and strengthen investment support.

F. Market access conditions for African exports

33. The period 1986-1990 was characterized by two main developments regarding market access conditions for African exports, namely the negotiation of the Lomé Convention (Lomé IV) and the ongoing Uruguay Round multilateral trade negotiations.

1. The Fourth Lomé Convention

34. Lomé IV has a validity of ten years expiring on 1 March 2000. The market access conditions are broadly similar to earlier conventions but include new

concessions on agricultural products. Except for agricultural products subject to the EEC common agricultural policy (CAP) or to specific rules introduced as a result of CAP, imports by the community from ACP States are made free of customs duties and without any quantitative restrictions or measures having equivalent effect. The products subject to CAP represent about 10 per cent of total imports by the community from ACP member States. Preferential imports are subject to safeguard measures, in general, after prior consultation, except under special circumstances. Rules of origin have also been relaxed to a certain extent.

2. The Uruguay Round of multilateral trade negotiations

35. The reduction of trade barriers and subsidies in the light of the elements identified and reflected in the Punta del Este Declaration would benefit African countries. Simulations of potential export earnings for all developing countries show that, given appropriate export diversification and other policies, these countries can expect to gain substantially in export earnings from liberalization of trade. In the case of fruits and vegetables gains of about $2.2 to $3 billion (reflecting different responsiveness to price changes) have been estimated.

36. On the other hand, there is the likely danger of a negative impact due to the erosion of the special preferences these countries currently enjoy, for example, under the Lomé Convention. Analysis of preliminary offers of tariff concession in tropical products reveals that African countries could suffer a loss of market share in some of the major markets, particularly the EEC market, from the erosion of preferences. In the case of agricultural products in general, it is too early to say what the outcome will be, but some simulation analyses tend to suggest that liberalization of temperate zone agricultural products would lead to substantially higher prices for basic foodstuffs. Since Africa is a food-deficit region highly dependent on imports, higher prices could exacerbate the food security situation of the region in the short to medium term. On the other hand, higher prices of imported foodstuffs could make African production more competitive, and enhance the region's prospects for food self-sufficiency.

G. Terms of trade

37. Both the region's terms of trade and the purchasing power of exports declined markedly during the programme period. While the quantum index of exports increased by some six percentage points, the unit value of Africa's imports rose by nearly 11 percentage points against a four percentage points decrease in the quantum index of imports. These movements caused further deterioration in the terms of trade which declined by a third during the period. The purchasing power of Africa's exports fell sharply, averaging only 52 per cent in 1986-1989 compared with 76 per cent in 1981-1985 (1980 = 100).

H. Balance of payments

38. Even though the region's export performance in quantum terms improved somewhat in the Programme period, the continued low prices received for most of its non-oil commodity exports meant that there was virtually no change in the overall balance-of-payments position. The average annual trade balance of

a modest $0.6 billion in 1982-1985 was turned into deficits averaging $3.7 billion per annum in 1986-1988. An improvement in services exports and a modest increase in private transfers, however, enabled the region's balance-of-payments deficit to remain at virtually the same level in 1986-1988 as in 1982-1985. In effect, the external account showed no improvement at the regional level during the programme period. According to the IMF World Economic Outlook of October 1990, the region's current account situation was -$5.1 billion in 1987 and -$10.3 billion in 1988 and -$8.9 billion in 1989, and estimated to be -$9.1 billion in 1990.

I. Resources flows and debt

1. Financial flows

39. Despite strenuous efforts and special donors' initiatives to mobilize additional resources in view of the region's rapidly deteriorating economic plight, net resource flows to Africa in real terms declined sharply during the period under review (1986-1989). Compared with the high level of resource flows reached in 1981-1982, this decline is even more pronounced. This was mainly due to the disappearance of new export credits and rapidly increasing debt-service payments, although official flows were also reduced in 1989.

40. In the case of sub-Saharan Africa, net resource flows in constant terms increased in 1986 as a result of emergency aid, mainly in response to the economic setback resulting from adverse climatic conditions during that year. Since 1986, these flows have been on a declining trend and by 1989 were some 10 per cent below the level reached in 1986.

41. During this period, the share of official flows increased until they represented almost the totality of flows. This was accompanied by a switch to concessional flows. The virtual disappearance of export credits and international bank lending reflected the incapacity of African countries to attract flows on non-concessional terms. Net flows of foreign direct investment to Africa also remained at very low levels, accounting for only 5 per cent of overall net flows in 1988 - compared with more than 12 per cent in 1982.

42. Although the share of official flows has substantially increased, the volume of these flows remained constant. Official flows in real terms have stabilized around the level of $16 billion since 1985, despite an increase of 50 per cent in nominal terms between 1985 and 1989.

43. In addition, the debt crisis contributed to increase the role of debt rescheduling and adjustment lending. The pervasiveness of the debt problem was such that debt rescheduling, once an isolated one-off mechanism designed to overcome a temporary liquidity problem, became an entrenched element of the resource transfers.

44. The most important international initiative in favour of African countries during the period 1986-1990 was the Special Programme of Assistance (SPA) launched by the World Bank in 1987. The SPA was originally a three-year (1988-1990) programme set up to help mobilize and co-ordinate quick disbursing and concessional debt relief to support adjustment in the low-income, debt-distressed sub-Saharan countries. The SPA included five sources of

financing: IDA adjustment lending, co-financing and co-ordinated financing from bilateral and other multilateral donors, IDA reflows for alleviation of IBRD debt burden, the IMF's Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF), and concessional debt relief.

45. The World Bank estimated that, within the first SPA, donors and creditors mobilized almost $16 billion in adjustment support (including the value of debt relief). The SPA has contributed to the strengthening of the donor co-ordination process through the close collaboration between IMF and the World Bank which, in the framework of the SAF and ESAF, assisted the recipient country authorities to prepare the Policy Framework Paper (PFP).

46. A number of major problems have been noted in the context of the first SPA. Procurement and disbursement procedures did not offer the best way to provide assistance on an untied basis and to make procurement procedures consistent with recipient countries' trade and exchange reform programmes. Furthermore, SPA is a donor grouping in which African Governments and the broad constituency of interests in Africa do not participate. And finally, the focus of the first SPA, as reflected in the Policy Framework Paper (PFP), was on adjustment, rather than the wider and longer-term development framework, including aspects of human resources development, capacity and institution building and environment. It also appears that the higher conditionality linked with access to ESAF resources and determined on the basis of the strength of adjustment efforts has been a deterrent to a broad and rapid use of this facility.

47. The recently concluded Lomé IV agreement between the European Economic Community and the 68 associated African, Caribbean and Pacific countries (of which 42 are African countries) provides for a substantial increase in resources over Lomé III. The new agreement commits ECU 12 billion ($14.5 billion) for the period 1990-1995, a more than 40 per cent increase over Lomé III expenditures. The terms of assistance were also improved and new programmes of co-operation were added, notably in the areas of environment and structural adjustment. However, an accurate assessment of the adequacy of resources committed under the new agreement is difficult to make, since two more countries and new programme areas have been included under the agreement.

48. The Second United Nations Conference on the Least Developed Countries, convened in September 1990 in Paris, has significantly improved the prospects for increased external financial support for Africa's LDCs. Donors committed themselves to increase aid targets in recognition of the magnitude of the LDCs' development needs and their limited capacity to generate an investible surplus.

49. Agreement was reached in December 1989 on the ninth replenishment of IDA resources for the three-year period 1991-1993, for an amount equivalent to $15.5 billion. The level of support to sub-Saharan African countries - currently between 45 and 50 per cent - will be maintained. IDA-9 commitments for adjustment support to IDA-only countries in sub-Saharan Africa are programmed at about $2.8 billion during fiscal years 1991-1993.

50. An effort has been provided in co-ordinating aid from bilateral and multilateral donors, through the mechanisms of consultative groups and round-table meetings. However, problems in this area remain which weaken the aid co-ordination process and call for corrective measures.

2. External debt

51. The debt situation does not show any sign of improvement as total external debt of African countries is still rising, reaching a total of $250 billion in 1989, as compared with $201 billion in 1986. This increase in debt was attributable, to a significant extent, to the capitalization of interest through debt reschedulings as well as to the accumulation of arrears on bilateral and multilateral debt. About two thirds of African debt is owed to official creditors. The ratio of debt outstanding to GNP increased from 78 per cent in 1986 to 115 per cent in 1988. In 1988, debt outstanding was three times higher than the African countries' total exports. After debt rescheduling, the ratio of service on long-term public and publicly guaranteed debt of African countries to exports in 1988 was above 25 per cent, which is quite high in regard to their debt-servicing capacity.

52. Debt cancellation resulting from Trade and Development Board resolution 165 (S-IX) adopted in 1978 were estimated at the end of 1988 to amount to $3 billion, of which over $2 billion represented claims on low-income African countries.

53. The Toronto Agreement marked a major advance in the debt strategy in that for the first time creditor Governments recognized the need for concessional debt relief with regard to non-concessional official debt. The scale of relief, however, is extremely limited. For the 17 countries benefiting from the Toronto terms in 1989, the savings on interest payments in that year were less than 2 per cent of the debt-service payments of these countries; and several of them still have to make payments at least three times higher than those they have been able to make in recent years.

54. Multilateral debt represents an important share of African total long-term debt, amounting to 25 per cent for all African countries and about 32 per cent for sub-Saharan countries. The service on this debt has become so large that net financial transfers from multilateral institutions have sharply declined, and a number of debtor countries are in arrears on their multilateral debt. Multilateral financial institutions have taken some measures to alleviate the servicing burden and thus help avoid arrears on multilateral debt.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

55. Although the problems which gave rise to the international initiative establishing the UN-PAAERD have not been substantially reduced, a number of gains have nevertheless been achieved. Firstly, many African countries have gained fuller appreciation of the need for reforms: some have already begun to benefit through export growth and strengthened ability to cope with external shocks. Secondly, there has been an increased international awareness of the size and complexity of the problems. Thirdly, the debate on structural adjustment has proved the need for a policy mix which combines appropriate macro-economic measures with longer-term developmental objectives aimed at structural transformation and growth in African economies.

56. Nevertheless, Africa's economic situation throughout the 1980s continued to be characterized by weak agricultural growth, declining industrial output, poor export performance, mounting debt burdens, and deteriorating social indicators.

57. Many countries in Africa, among them about two thirds of the economies in sub-Saharan Africa, have embarked upon the difficult and trying process of stabilization and structural adjustment programmes in response to their external payment problems. Progress has been uneven and insecure. Many of these countries have been unable to reconcile the objectives of external balance, price stability and economic growth. For them, policies geared primarily towards quickly achieving external balance and internal price stability have either failed or recorded success only by sacrificing employment, growth and distributional objectives, and even then improvements tended to be ephemeral.

58. There is now a growing awareness that the most important element in a new strategy of economic recovery and development for Africa is the adoption of a much longer time horizon than was implicit in the first generation structural adjustment programmes. It has become clearer that many of the most important investments and policy changes have very long gestation periods. It has become clearer, also, that what is required is a sustained and internally consistent set of government policies backed by a predictable flow of key inputs, most notably of the necessary external resources. Experience with these programmes has supported the view that there is no unique formula for economic reform. Programmes need to take into account each country's particular economic structure and capacity for change. In this connection, the sequencing of the policy changes itself deserves care and close attention. Finally, these reform programmes must have, as their ultimate objective, structural transformation of African economies with a view to reducing the region's excessive vulnerability to external economic shocks and setting it on the path of viable self-sustaining economic growth and development.

59. The UN-PAAERD has helped focus the attention of the international community on Africa's problems. Governments and their peoples, international institutions and the United Nations system, as well as non-governmental organizations, have devoted considerable attention to the region's complex socio-economic problems during the Programme period. While there have been a few commendable examples of efforts and special initiatives on the part of the donor community to mobilize additional resources, net resource flows to Africa in real terms declined sharply during the period 1986-1989. A major contributing factor to this negative trend has been the disappearance of new export credits and other commercial flows as well as the rapidly increasing debt-service payments. Official flows had also been reduced by 1989. Net flows of foreign direct investment to Africa also remained at very low levels.

60. Africa's debt burden continues to constitute a major stumbling block to recovery and development efforts. During the Programme period the debt situation did not show any sign of improvement. All the debt indicators worsened. The various initiatives on external debt have not had a significant impact on the African countries' situation.

B. Recommendations

61. On the part of the African countries there is a need for increased efforts at strengthening national capacities to cope with and benefit from structural change, notably in areas of human resources development; enhanced responses to market signals; and incentive systems for factors of production which encourage flexible adaptation to a changing world economic environment. Additional efforts are needed at increasing competition in the economic sectors as well as increased scope for enterprise development, including small and medium-sized enterprises. In this regard, there is a need for adequate incentives for the production and widespread distribution of new technologies, as well as the expansion of opportunities for management and technical education. To ensure that any gains resulting from these and other efforts are not wiped out by the increasing demographic and environmental pressures, there is a need for intensification of efforts to address the issues of rapid population growth and environmental degradation.

62. Firstly, on the part of the international community, enhanced flows of development assistance will be expected. The development tasks ahead require an increased volume of bilateral and multilateral development assistance. Greater efforts are needed for increased financial flows as spelt out in the mid-term review of the UN-PAAERD, including the actions called for with regard to export earnings and the debt problem. Debt service and debt overhang remain one of the major problems facing countries of the region at the end of the Programme. The aim of these efforts must be to alleviate excessive debt burdens as quickly as possible in ways which lead to restored prospects for sustainable growth and private financial flows. Aid co-ordination, although much improved, still requires much improvement - both at donor and recipient levels - to eliminate duplication, avoid waste and improve effectiveness. Secondly, the international community can greatly enhance Africa's prospects for recovery and sustainable development by improving the functionning of commodity markets. This can be done through the reduction of trade barriers and subsidies, increased market transparency allowing a better understanding of key parameters, such as demand, investment activity and stocks, thus assisting longer-term supply adjustments, as well as support to price stabilization efforts - taking into account commodity-specific factors and long-term trends as signalled by market forces. Attention is drawn to the recommendations of the Fraser Group report on problems of African commodities.

63. These recommendations are merely indicative of the areas where intensification of effort is called for. The secretariat's analysis indicates that the conclusions of the General Assembly's mid-term review of the UN-PAAERD and the recommendations thereof are still valid and need to be pursued with vigour.

64. Finally, prospects for the future are mixed, with indications of a slow-down in the world economy especially in the leading developed market economies at a time when commodity markets remain relatively weak. Moreover, the adjustments which many economies must undertake after the conflict in the Persian Gulf could have profound effects on African economies. The future is fraught with uncertainties regarding markets, exchange and interest rates, and resource flows.

65. Faced with this prospect, the African countries' best chance lies in the continued pursuit and deepening of reform programmes to protect them against eventual shocks. The international community - especially the multilateral institutions - could assist by expanding the programmes of assistance while at the same time adapting them to respond to the gaps observed in earlier programmes. Finally, problems of international co-operation on commodities need more imaginative and renewed efforts by all sides. At the same time donor countries could assist in the difficult period ahead by putting in place a more definitive debt-relief programme, including reduction of debt stock, increasing resource flows and determined efforts to improve market access for new products.